CHAPTER 8.—LOANS AND ADVANCES BY THE CENTRAL GOVERNMENT.

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Sanction.

134. The Government of India have full powers to sanction the loans and advances chargeable to the head "Q.—Loans and Advances by the Central Government" and the local Government and other authorities have such powers as are delegated to them under the rules made by the Government of India.

Estimates.

135. Provision should be made in the estimates for all loans and advances which can be foreseen and which are not repayable within the year; and the Government of India has accordingly directed that each local Government should make a timely estimate both of the advances and of the recoveries of the coming year, and should communicate it to the Accountant General for entry in his estimates.

1. This article applies also to the miscellaneous advances dealt with in Chapter 9.

136—139. *Deleted.*

Conditions of Repayment.

140. The following are the rules under which loans and advances are usually made to local bodies in areas administrated by the Central Government :—

(*a*) The term of loans may in very special cases extend to 30 years, but ordinarily the advances should be repaid within as short a period as possible.

(*b*) The term is to be calculated from the date on which the loan is completely raised or declared by the Government of India to be closed.

(*c*) Dates may specially be fixed for the payment of the instalments.

(*d*) Instalments paid before the due date will be taken entirely to principal, unless, of course, any interest for a preceding period is overdue.

1. When a loan of public money is taken out in instalments the first half-yearly repayment should not be demanded until six months after the last instalment is taken; meanwhile simple interest only should be realised. But should it appear that there

is undue delay on the part of the debtor in taking out the last instalment of a loan, the Government of India may at any time declare the loan closed, and order repayment of capital to begin. The Accountant General should bring to notice any delay that appears to him to require this remedy and he should take this step whether there are any dates fixed for the taking of instalments or not.

2. If in any case particular dates in the calendar have been fixed for the payment of interest, or for the repayment of instalments of debt, then such repayments should not begin until the second of the half-yearly dates so fixed, after the loan has been completely taken up, simple interest only being recovered on the first half-yearly date after the completion of the loan. For example, supposing a loan the interest on which is recoverable half-yearly to be completely taken up on 31st March and the interest to be payable on 30th June and 31st December the first half-yearly instalment in repayment of principal will not be due until 31st December following. Simple interest only will be due on the intermediate 30th June.

3. Notes 1 and 2 are applicable, *mutatis mutandis*, to loans the repayments of which are made by other than half-yearly instalments.

141. *Deleted.*

Forms of Drawing and Repaying.

142. The vouchers on which a loan or any advance is drawn must quote the authority sanctioning such loan or advance but no part of such loan or advance can be disbursed from the treasury except under the orders of the Principal Auditor.

143. In repaying a loan or advance, the memorandum presented at the treasury must state the original date and amount of the loan or advance, or otherwise give sufficient particulars for its identification. If the amount repaid includes interest as well as principal, the interest must be separately specified ; and if the repayment is a fixed periodical amount, including both interest and principal, the orders fixing the amount should be quoted.

1. It must be remembered that the calculation fixing the amount of equal periodical instalments, by which an advance is repaid with interest, presupposes punctual payment of the instalments, and that, if any instalment is not punctually repaid, the fixed instalment will not in the end discharge the loan.

Calculation of Interest.

144. A loan bears interest for the day of advance, but not for the day of repayment. Interest for any shorter period than a complete half-year will be :—Number of days ÷ 365 × yearly rate of interest.

Defaults in Payment.

145. (*a*) Any default in the payment of interest upon a loan of public money, or in the repayment of the principal, should be promptly reported by the Account Department to the local Government or to the Governor General in Council, whichever sanctioned the loan. On receipt of such a report, the local Government or the Governor General in Council should immediately take steps to remedy the default.

NOTE 1.—The responsibility imposed on the Account Department by this rule refers only to the loans the detailed accounts for which are kept up by that Department.

NOTE 2.—In the case of loans granted to Indian States the Accountants General also submit annual* reports to their respective local Governments by the 1st August

*Form 39 of the Account Code, 1st Edition (Reprint).

by whom they are forwarded to the Government of India in the Foreign Department with further information regarding loans raised by Indian States under Government guarantee and with such remarks as they consider necessary.

(*b*) The authority which sanctions a loan may, in so far as the law allows, enforce a penal rate of compound interest upon all overdue instalments of interest, or principal and interest. If a penal rate is enforced it should not be less than 8 per cent. per annum.

146. Borrowers should be required to adhere strictly to the terms settled for the loans made to them. Modifications of those terms in their favour can be made subsequently only for very special reasons.

Revenue Advances.

Definition.

147. The following special procedure is prescribed for the drawing and accounting of Revenue Advances which include *takavi* advances, advances under the Land Improvement Acts, and any other advances which revenue officers are allowed or directed to make in connection with Land Revenue, Agriculture, or Famine, under any Act of the Legislature, or under any order of Government.

Treasury Accounts and Procedure.

148. Revenue advances will be issued from the treasury upon orders signed or countersigned by the Collector of the district or other duly authorised officer. The Treasury Department and the Accountant General shall take no further cognizance of these advances, beyond holding them in a separate advance account at the debit of the officer who authorises the advance. For all further accounts and supervision, the Revenue Department shall be responsible.

NOTE.—*Takavi* advances may be made either direct to the parties concerned and on their receipt (stamped when necessary) or in lump sums on abstract bills to officers disbursing *takavi*.

In the former case the charges should be supported by actual payees' receipts or where these are required for the Revenue Officer by a certificate from the Collector or other duly authorised officer to the effect that the payments have been made to the proper parties and their receipts duly taken and filed in the Revenue Office.

In the latter case the following safeguards should be adopted :—

(1) No officer disbursing *takavi* should be allowed to draw a second abstract bill without producing a detailed bill to account for the amounts already disbursed from the last advance taken, any balance left being at the same time refunded into the Government treasury. In no case should the submission of the detailed bill be delayed beyond the end of the month following that in which the advance was drawn from the treasury.

The disbursing officers should be directed to take the receipts of the payees on the spot as soon as the advances have been made, and to certify at the foot of the detailed bill that the advances were duly sanctioned by them and paid in their presence.

Payees' receipts need not be sent with the detailed bill and their names need not be shown in it.

(2) Collectors should prescribe a money limit for the amount which can be drawn on abstract bills by each officer with due regard to the circumstances of each case.

Plus *and* Minus *Memorandum.*

149. (*a*) In every treasury whence revenue advances have been made one or more *plus* and *minus* memoranda should be kept, in which the advances should be debited and all recoveries credited. One of these *plus* and *minus* memoranda shall be the ordinary account of revenue advances and other special accounts shall be opened from time to time for any special officers authorised to make advances, who may, under the orders of the Revenue Authorities, keep and submit accounts separate from the general account of the district officer.

(*b*) The *plus* and *minus* memoranda maintained under clause (*a*) will be submitted with the monthly treasury accounts, and will be under the order of the Accountant General, whose care it will be that they accurately represent the credits, debits and balances that pass upon his accounts in respect of revenue advances of the district or officer concerned.

(*c*) No officer authorised to make advances may question the accuracy of the *plus* and *minus* memorandum as the record of his responsibility, otherwise than by satisfying the Accountant General of its erroneousness, and causing him to correct it. Every officer, therefore, should see that the debits and credits made to his account accurately correspond with those which enter his own registers and returns. If he is not the District Officer, he should obtain from the treasury a copy of the *plus* and *minus* memorandum with which he is concerned. Special care should be taken in paying recoveries into the treasury that the amount of interest and of principal recovered be separately and distinctly credited, as the former must not, and the latter must, be credited in the *plus* and *minus* memorandum.

Revenue Department Returns.

150. (*a*) With every return of revenue advances made to the Revenue Authorities a memorandum should be submitted setting forth the figures of the treasury *plus* and *minus* account, and agreeing them with the figures of the return.

(*b*) The Accountant General will, at the close of every half-year's accounts, send to the Board of Revenue or other Chief Revenue Controlling Authority a return in such form as may be agreed on, showing the figures that pass upon his books in respect of revenue advances. The object of the statement is to enable the Chief Revenue Authority to check the reconciliation prescribed in clause (*a*).

Irrecoverable Loans and Advances.

151. A local Government has power to remit advances to cultivators, which are found to be irrecoverable.

152. In the case of Revenue Advances, it shall be the duty of the Revenue Authorities, as soon as any such advance is ascertained to be irrecoverable, to cause the amount of it to be written off the accounts, and to advise the Accountant General, in order that he may charge off the amount as expenditure and direct its being written off the treasury

plus and *minus* memorandum. Such irrecoverable advances should nevertheless be registered by the Revenue Authorities in a separate account or record, in order that any possible eventual recovery may be made; but they will not affect the treasury *plus* and *minus* memorandum, and any recoveries will be taken as revenue.

Periodical Review.

153. Local Governments will arrange to receive annual reports upon outstanding loans from the responsible Account Officer and should then bring the transactions under separate review.